

## City of Alexandria, Virginia

## MEMORANDUM

24  
4-22-03

DATE: APRIL 15, 2003

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER *PS*

SUBJECT: CONSIDERATION OF RESOLUTION FROM THE LANDLORD-TENANT  
RELATIONS BOARD REGARDING THE VOLUNTARY RENT GUIDELINES

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**ISSUE:** City Council consideration of the Resolution from the Landlord-Tenant Relations Board regarding the Voluntary Rent Guidelines.

**RECOMMENDATION:** That City Council approve the attached Resolution (Attachment I) to maintain the City's Voluntary Rent Guidelines at 5% where the tenant pays utilities and reduce the guideline to 7% where the owner pays utilities, as recommended by the Landlord-Tenant Relations Board.

**BACKGROUND:** Since 1950, the Code of Virginia has prohibited localities from enacting rent control. However, for over 20 years, the City has encouraged landlords to limit rent increases in accordance with the City's Voluntary Rent Guidelines. The City's Voluntary Rent Guidelines are suggested maximum rent increases for existing tenants, but they provide no authority to the City to enforce the guidelines against landlords who fail to comply with them. In addition, these guidelines do not apply to new lease-up of a vacant unit.

If approved by City Council, the proposed Voluntary Rent Guidelines will remain in effect for at least the next six months. The Landlord-Tenant Relations Board reviews the guidelines every six months, and makes recommendations to City Council at least annually regarding the adequacy of the Voluntary Rent Guidelines. If significant market changes occur, the Landlord-Tenant Relations Board may recommend changes more frequently. The current guidelines, most recently reviewed by City Council in March 2002, remained at 9% if the landlord pays utilities and remained at 5% if the tenant pays utilities. These figures were initially adopted in February 2001.

In preparation for these recommendations, the Board considers increases to the operating cost data compiled by the Institute for Real Estate Management (IREM) as well as rent increase data and annual vacancy surveys by Delta Associates, a national real estate consulting firm. The Board also considers increases in market rents for the City. In addition, the Board reviews budgets prepared using rental property averages in Alexandria. In reviewing these data, the Landlord-Tenant Relations Board attempted to set the guidelines at a level which will account for inflation and property owners' increases in cost, without unduly burdening tenants.

**DISCUSSION:** Based on complaint information, staff estimated that prior to 2000, approximately 1% of the City's landlords with properties of 10 or more units had failed to comply with the Voluntary Rent Guidelines. In 2000 and 2001, noncompliance increased significantly due to extremely tight rental market conditions. In addition, from 1998 through 2001, the City-wide vacancy rate for multifamily complexes remained below 2%. As a result, the guidelines were increased, in February 2001, to 9% for properties with owner paid utilities, and 5% for properties with tenant paid utilities, as the Landlord-Tenant Relations Board found the percentages necessary to allow landlords to compensate for increased costs. Although the vacancy rate rose to almost 4% City-wide in 2002, these higher guidelines were reaffirmed, as the Board felt the increased vacancy rate was largely due to the lease-up of newly constructed units.

However, only modest increases in market rents (rents charged to new tenants) have occurred since last year due to higher vacancy and increased competitiveness among properties, and many properties are again offering incentives and rent specials to attract new renters. Over the last year, staff of the Office of Housing's Landlord-Tenant Relations Division has received only occasional complaints regarding rent increases charged to current tenants, and these complaints have been resolved to comply with the rent increase guidelines. The City-wide average market rent increased almost 9% from January 2002 to January 2003, but this was significantly affected by the high rents charged for the more than 1,300 new apartments which came on line in 2002. The average City-wide rent for new tenants increased less than 1% during 2002 in established properties, after adjustment to account for new apartment units available for first occupancy in 2002.<sup>1</sup> In addition, the vacancy rate has increased to almost 5% City-wide in January 2003. Although some of this can be attributed to new units, there are also increased vacancies in established and moderately-priced units.

After reviewing the above data and market conditions, the Landlord-Tenant Relations Board determined that the current guideline of 5% is adequate for properties with tenant-paid utilities, but the guideline for properties with landlord-paid utilities should be reduced to 7%. The board determined that a 7% increase would still allow the landlord a reasonable return after accounting for increased utilities and taxes. Board members representing landlords noted that most properties are not currently implementing rent increases in excess of 7% for existing residents.

The Board determined that the 5% guideline for properties with tenant-paid utilities should be maintained, not only to compensate landlords for increases in costs and taxes, but also because many properties have long-term tenants that pay a rental amount well under the market rent for the unit they occupy. Board members agreed that a 5% increase would allow landlords to increase rent incrementally without a sudden financial burden to the tenant that an immediate increase to the market rent could cause. Landlord members added that competition in the current rental market will prevent landlords from implementing excessive rent increases, or even increases up to the maximum percentage of the guidelines, if the increase would exceed the market rent offered to new tenants or would be above the rents charged by comparable properties.

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<sup>1</sup>The Landlord-Tenant Relations Board considers increases for new tenants as an indicator of adequate increases for existing tenants, but notes that there is not always a direct correlation between the percentage vacant units increase and the increase that current residents are offered. Many residents in established properties pay less than the property's market rent due to longevity.

Unusual or capital improvements were not calculated by the Board in determining reasonable increase guidelines. The resolution adopting the Voluntary Rent Guidelines includes provisions which allow adjustments for unusual costs including capital improvements, major repairs or significant increases in taxes or assessments. At its April 2, 2003 meeting, the Landlord-Tenant Relations Board unanimously voted to recommend to City Council that the Voluntary Rent Guidelines be decreased to 7% for properties with owner/landlord paid utilities and remain at 5% for properties where tenants pay utilities.

As long as Virginia law remains unchanged with regard to rent control, the City's rent guidelines will remain voluntary, and the City will be unable to mandate that rent increases be held to any recommended percentage. An act of the General Assembly would be required to allow the City to control rent increases.

**FISCAL IMPACT:** None.

**ATTACHMENT:** 2003 Voluntary Rent Guidelines Resolution

**STAFF:**

Melodie Baron, Division Chief, Office of Housing  
Robert Eiffert, Deputy Director, Office of Housing  
Mildrilyn Stephens Davis, Director, Office of Housing

2003 VOLUNTARY RENT GUIDELINES RESOLUTION  
CITY OF ALEXANDRIA, VIRGINIA  
RESOLUTION NO. \_\_\_\_\_

WHEREAS, more than half of the dwelling units in the City of Alexandria are renter-occupied; and

WHEREAS, the Alexandria City Council has continually expressed its concern for the well-being of the City's tenants and landlords through proposed charter changes, legislation, and establishment of the Landlord-Tenant Relations Board; and

WHEREAS, the Alexandria Landlord-Tenant Relations Board has previously expressed its concern to the City Council regarding excessive rent increases;

NOW, THEREFORE, BE IT RESOLVED that the Council of the City of Alexandria, Virginia calls upon the Alexandria Landlord-Tenant Relations Board to monitor and investigate complaints of rent increases in excess of the following guidelines and to conduct a review of the guidelines every six months and forward recommendations to Council at a minimum of every 12 months:

- If the tenants pay all utilities, not more than five percent cumulatively per year;
- If all utilities are included in the rental amount, not more than seven percent cumulatively per year;

PROVIDED, however, that Board investigators will recognize and take into account any unusual costs, capital improvements and major repairs to the property (which should be substantiated by the owner), and extraordinary increases (more than 50%) in assessments;

PROVIDED, further, that the landlord may apportion increased real estate taxes in an equitable manner;

PROVIDED, further, that when a landlord converts utilities to a sub-metered or individually metered system, the amounts of monthly rents, plus annualized utility costs, shall remain within these guidelines.

BE IT FURTHER RESOLVED that the Landlord-Tenant Relations Board will report to City Council on the adequacy of the above guidelines in 2004.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the Seal of the City of Alexandria to be affixed this 22<sup>nd</sup> day of April, 2003.

ADOPTED:

KERRY J. DONLEY      MAYOR  
On behalf of the City Council  
of Alexandria, Virginia

ATTEST:

Beverly I. Jett, CMC      City Clerk

**RESOLUTION NO. 2069**

**WHEREAS**, more than half of the dwelling units in the City of Alexandria are renter-occupied; and

**WHEREAS**, the Alexandria City Council has continually expressed its concern for the well-being of the City's tenants and landlords through proposed charter changes, legislation, and establishment of the Landlord-Tenant Relations Board; and

**WHEREAS**, the Alexandria Landlord-Tenant Relations Board has previously expressed its concern to the City Council regarding excessive rent increases;

**NOW, THEREFORE, BE IT RESOLVED**, that the Council of the City of Alexandria, Virginia, calls upon the Alexandria Landlord-Tenant Relations Board to monitor and investigate complaints of rent increases in excess of the following guidelines and to conduct a review of the guidelines every six months and forward recommendations to Council at a minimum of every 12 months:

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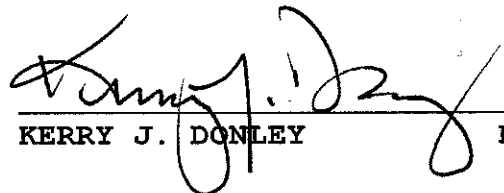
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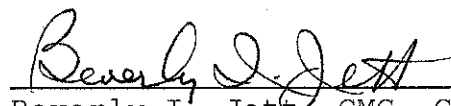
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**BE IT FURTHER RESOLVED**, that the Landlord-Tenant Relations Board will report to City Council on the adequacy of the above guidelines in 2004.

ADOPTED: April 22, 2003

  
KERRY J. DONLEY MAYOR

ATTEST:

  
Beverly I. Jett, CMC City Clerk